

14/9/

ADDITIONAL
PREFACE

To a PAMPHLET, entitled,

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*K Eng. Append
Finance*

An APPEAL to the PUBLIC, on the
Subject of the NATIONAL DEBT;

CONTAINING

OBSERVATIONS

ON THE

PRESENT STATE of the KINGDOM,

With respect to

Its TRADE, DEBTS, TAXES, and
PAPER-CREDIT.

L O N D O N :

Printed for T. CADELL, in the STRAND.
MDCCLXXIV.

ADDITIONAL
PREFACE

To the
At a meeting of the Council of the
Society of the Friends of the
British Museum

OBSERVATIONS

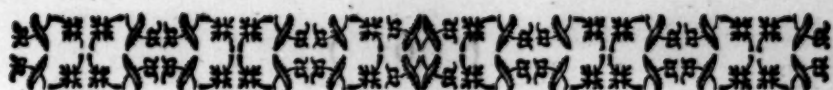


By the
PUBLISHED

Is Trade, Debt, Taxes, and
Public Credit

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LONDON:
Printed by T. Cadell, in the Strand.
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A D D I T I O N A L P R E F A C E.

TH E Preface to the Second Edition of my Appeal to the Public on the subject of the National Debt, was written near two years ago. — In a new edition of my Treatise on *Reversionary Payments*, published since that time, I have given an account of a plan for discharging in forty years, a hundred millions of the national debt, with a *surplus* of a million *per annum*. This plan is an improvement of a scheme proposed in the former editions of the same *Treatise*, and referred to in page 42 of this pamphlet.—It contains a method of reducing public debts which, with respect to expedition and efficiency, cannot be far from the utmost limits of possibility; and I have shewn, that, were it established, it would at all times lessen the public burdens, and operate as a preservative of the kingdom from calamities that are otherwise unavoidable. — I am in hopes that every competent judge who will examine that plan must find this to be true. At the time it was published, the kingdom was possessed of the very surplus it required; but I am obliged to take the present opportunity to mention, with regret and pain, that this is now no longer true.

In consequence of the decline of trade, and the loss of an annual payment of 400,000*l.* from the *East-India Company*, the *Sinking Fund* has suffered a diminution that leaves us little to expect from it: And last year, had it not been for the money raised for paying the debts of this Company, the whole revenue of the nation would have been scarcely sufficient to bear its current and necessary expences (*a*).—This, I think, never before happened in a time of peace, since the first establishment of the Sinking Fund.

Two years ago trade had been carried much beyond its natural limits; and, aided by luxury and false credit, had occasioned an unusual flow of money into the Sinking Fund, and produced all the appearances of increasing wealth and prosperity. — But it might have been seen that these appearances were deceitful and transient.—False credit cannot be

(*a*) In 1772, a million and a half of the 3 *per cents* was paid off. At opening the budget that year, this was declared by Lord North in the House of Commons to be the commencement of a plan for paying off in ten years 17 millions of the national debt, and thus increasing in that time the Sinking Fund half a million *per ann.* and preparing the nation for bearing another war.—But in the very next year, only 800,000*l.* was paid; and this was done, not with real surplus money, but with part of 1,400,000*l.* borrowed on *Exchequer Bills*, and lent to the *East-India Company* to enable them to pay arrears of customs and other debts due to government. — Should, therefore, as some expect, this loan (or the greatest part of it) never be re-paid; more will have been added last year to the public debts than was taken from them. — It must be soon known how much will be paid this year.

permanent ; and every thing, when it has got beyond a certain point, must sink.—Accordingly ; in the summer of 1772 fictitious credit broke ; and the ease with which money had been procured by issuing paper, being lost, the appearance of a general scarcity of money followed ; many were involved in ruin ; and trade, before over-done, stagnated and declined.—In this condition we now find ourselves ; our merchants, fearful of the hazards of commerce and the competitions of adventurers, calling in their capitals (*b*) : all sorts of provisions at an exorbitant price ; our manufacturers starving ; the poor an intolerable burden ; and multitudes leaving the kingdom.

These evils are perhaps *temporary* ; and a revival of trade may succeed the glut which speculation and extravagance have occasioned. But should the contrary happen : should trade, oppressed by the permanent incumbrances upon it, go on to languish ; the time must soon arrive when, instead of enjoying any SURPLUS in the revenue, DEFICIENCIES will arise ; and when, consequently, it will be necessary, in order to bear the expences of the peace-establishment, either to impose new taxes, or to make reductions in the

(*b*) To this chiefly has been owing the late alteration of foreign exchanges in our favour ; and not, as has been strangely asserted, to the COIN-ACT. — An Act, which, by oppressing the poor, distressing traffic at a very critical time, and increasing *Paper-money*, has, I am afraid, done more harm than good.

Funds (c). Every one must be sensible of the alarm this would give, and the danger into which it would bring us.

What renders our prospect in these circumstances more threatening, is, the tender and precarious nature of *Paper-credit*. This is now our chief support. — BANK NOTES, in particular, make the principal part of our cash; and were they to lose their credit, all the money in the kingdom would not much exceed the annual amount of the taxes; the revenue would fall to nothing,

(c) Our circumstances and those of the *French*, are in this respect extremely different. Among us, through misconduct, which the nation will rue and execrate, the expence of every war remains till another war comes. Among them, the expences of war are soon cleared away. They have more than once, by acts of power to which no resistance has been made, but which would *here* unhinge all government, reduced their funds one half; and I am informed, that since the last war their finances have been improved several millions *per annum*, and are at this time in a very good state.

The state of public credit, among us, for the last twenty years, may be learnt from the following account of the average prices of the 3 *per cent.* funds.

From 1751 to 1755, they kept between 104 and 106. — In 1755, the war which begun in that year reduced them to 92; and, in 1756, to 89. — In 1757 and 1758 they fluctuated between 89 and 93 — In 1759, between 89 and 82—In 1760, between 84 and 75—In 1761, between 80 and 71.—In 1762, they fell to 62.—In 1763, the peace raised them to 94: But from that year to the present, though there has been no interruption of peace, they have been sinking; and are now at $86\frac{1}{4}$; that is, lower than they were at any time during the first four years of the last war; and near 20 *per cent.* lower than in the peace that preceded it.

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and general devastation would take place. For this reason, it may be said with truth, that more depends at present on the wisdom and good conduct of the BANK DIRECTORS than on the whole Legislature—One wrong step in them; an improvement in the art of forgery; or any event that should produce a general disposition to prefer *coin* to their *paper*, would undo us.—Paper-money, having only a local and imaginary value, can bear no alarm. It shrinks at every approach of danger. *Suspicion* subverts it: and when it falls, it gives no warning, but falls at once. The condition, therefore, of every state in which this prevails must be always critical in proportion to the quantity of it, and the degree of dependence upon it.

The History of *France*, in the year 1720, furnishes us with a striking proof of the truth of these observations. The *Royal Bank* in that kingdom had issued paper to the amount of above a hundred millions sterling. While this paper maintained its currency, it produced all the effects of a sudden importation of so much real money into the kingdom. The price of every thing was raised excessively. Estates were sold at 80 years purchase. The interest of money was reduced to 2 *per cent*. New buildings arose in town and country. Industry revived; luxury prevailed; and wealth and plenty reigned every where. — But this state of seeming prosperity was of short duration. An *arret*
of

of council, intended to reduce the price of provisions, and also to give permanency to the circulating paper, produced in one day its ruin (*d*). General poverty and misery followed; and Paper-credit in that kingdom has never since recovered itself.

It is well known that the frenzy of this memorable year was not confined to *France*. At the breaking of the *South-sea Bubble*, our own bank was in some danger; and had paper circulation failed then *here* as well as in *France*, we might *now* have been only the happier. The public debts then existing would have been annihilated, and could not easily have been afterwards renewed; and we should at this moment have had only the *recollection* to trouble us of distresses still in our view; and which, every year that has since passed, has been rendering more and more terrible when they come.

Before the *Revolution* the supplies of every year were raised within the year by *temporary* taxes.—After the *Revolution* this became too difficult; and money was raised by perpetuating and anticipating the taxes, and forming them into funds for discharging the principal

(*d*) This arret was published on the 21st of May 1720; and “the following day a person might have starved with “a hundred millions in his pocket.” See Sir *James Steuart’s* Enquiry into the Principles of Political Economy, vol. II. book IV. chap. 26, &c. where a particular account is given of the events to which I have here referred.

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and interest of sums borrowed upon them. But even in this way, sufficient supplies for carrying on King *William's* and Queen *Anne's* wars could not have been procured, had it not been for the establishment of the BANK. This provided a substitute for money which answered all its purposes, and enabled the nation to make payments that it could not otherwise have made.

From that period, *Paper-credit* and *taxes* have been increasing together.—When *moderate*, these *promote* trade, by quickening industry, supplying with a medium of traffic, and producing improvements. But, when *excessive*, they *ruin* trade, by rendering the means of subsistence too dear, distressing the poor, and raising the price of labour and (*e*) manufactures. — They are now among us in this state of excess: And, in conjunction with some other causes, have brought us into a situation which is, I think, unparalleled in the history of mankind.—Hanging on paper, and yet weighed down by heavy burdens.—Trade necessary to enable us to support an enormous debt; and yet that debt, together with an excess of Paper-money, working continually towards the destruction of trade. — Public spirit, independence and virtue undermined by luxury; and yet luxury necessary to our

(*e*) The poor-rate alone is now equal to all the ordinary taxes formerly; and the expences of *peace* DOUBLE to those of *war* in King *William's* time.

existence.

existence. — Other kingdoms have enacted sumptuary laws for suppressing luxury. Were we to do this with any considerable effect the consequence might prove fatal. — In short: were our people to avoid destroying themselves by intemperance, or only to leave off the use of one or two foreign weeds, the revenue would become deficient, and a public bankruptcy might ensue. — On such ground it is impossible that any kingdom should stand long. — A dreadful convulsion cannot be very distant. The next war will scarcely leave a chance for escaping it. But we are threatened with it sooner. — An open rupture with our colonies may bring it on immediately.

Newington-Green,
Feb. 16th, 1774.

